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Interprovincial Labour Mobility in Canada:

The Role of UI, Social Assistance, and Training

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Purpose

This brief summarizes the findings of an investigation into the effects of labour market policy interventions, such as unemployment insurance and social assistance benefits and various federal government sponsored, job-related training programs, on interprovincial labour mobility. The study was completed as one component of a major evaluation of the UI regular benefits program in Canada.

Background

Canada is a large country composed of economically diverse regions. The resulting regional economic disparities imply that labour markets are continually adjusting to local economic conditions. In theory, geographic labour mobility is a labour market adjustment mechanism that redistributes workers from areas of low demand to areas of high demand. In practice, however, there are several reasons why workers might not move from one area to another. This is where policy interventions such as unemployment insurance, social assistance, and the various federal government sponsored training programs come into play. The question is whether they increase geographic labour mobility.

Data Source

The data for the study were extracted from the 1988-90 longitudinal person-file of Statistics Canada's Labour Market Activity Survey (LMAS). Observations on individuals were

available for three consecutive years. The province of residence in 1988 was taken to be the home province and migrants were identified as being persons who changed provincial residency in 1989 or 1990. The paper examined interprovincial labour mobility, the demographic and socio-economic characteristics of migrants, the relationship between labour mobility and policy interventions, and the labour market performance of migrants compared to non-migrants. It also explored return mobility patterns, where a return migrant was an individual who left their home province in 1989 and returned to that province in 1990. Finally, the author empirically analyzed the effects of unemployment insurance, social assistance, and training on interprovincial migration by econometric methods.

Key Findings

Population Gains and Losses

In 1989, about 120,000 adults in Canada (16 to 69 years of age) moved from one province to another, accounting for 0.7 percent of the adult population. In 1990, the number increased to about 170,000 or 1.0 percent of the population. While residents of Quebec, Ontario, and British Columbia were relatively immobile, the Atlantic and Prairie provinces experienced significant levels of emigration in both years.

Whereas Quebec immigration almost matched emigration with little resulting change in the adult population, Newfoundland, Prince



Edward Island, New Brunswick, Manitoba, and Saskatchewan declined in population. Although receiving some interprovincial immigrants, these provinces had more emigrants. Contrary to historical trends, Ontario also experienced population loss in this period. Provinces that gained from interprovincial migration included Nova Scotia, Alberta, and British Columbia. Despite high levels of emigration, there was more immigration into these provinces, resulting in net population increases.

Provincial Destinations

While the destinations of emigrants from Quebec and Ontario were spread over the regions fairly evenly, the main destinations for emigrants from the Atlantic provinces and British Columbia were Ontario and Nova Scotia, and the majority of emigrants from the Prairie provinces stayed in western Canada.

Reasons for Moving

Nearly one-third of all interprovincial migrants in 1989 were motivated by economic reasons (they were transferred by employers or they moved to accept job offers or to look for work), 27 percent moved for family reasons (their spouse/parents moved or they moved to live with/close to family members/friends), about one-third did not cite a specific reason for moving, and the rest moved to attend school or for their retirement.

There were striking gender differences in the reasons for moving. Male mobility was more often economically motivated while female mobility was more often related to family responsibilities. For example, economic reasons were behind almost 46 percent of male but only 26 percent of female migrants in 1989. On the other hand, family responsibilities prompted nearly 39 percent of female migrants but only 12 percent of male migrants.

Economic Returns to Mobility

The economic returns to mobility were evaluated by examining the outcomes of several different labour market performance indicators for migrants and for non-migrants. Since migration occurred in 1989, 1988 (pre-migration) outcomes were compared to 1990 (post-migration) outcomes. The change in outcome levels over the period for migrants was compared to that of non-migrants. Using non-migrants as the comparison group allowed the author to approximate the incremental gain of migrants' actions, relative to a situation in which they did not move.

The estimates of economic returns show that interprovincial labour mobility paid off greatly in 1989. On average, the nominal, net annual earnings return to male mobility (ie the excess of male migrants' 1988-90 earnings increase over male non-migrants' earnings increase) was \$5,520 or nearly 26 percent of migrants' pre-move earnings. The earnings return to female mobility was somewhat smaller than that of males in magnitude (\$5,220), but higher if expressed as a percentage of migrants' pre-move level (nearly 45 percent).

When the author decomposed annual earnings into hourly wages and annual hours of employment, the relative earnings gain to male mobility was due to both a larger relative increase in wages and comparatively longer hours of work among migrants. Male migrants' hourly wage increased 15.3 percent while that of non-migrants increased by only 11.3 percent, yielding a wages return to male mobility of \$0.39 per hour or 3.1 percent of migrants' pre-move level. Male migrants' annual hours of work increased by 18.5 percent while those of non-migrants actually decreased by 1 percent, giving an hours return of 308 hours a year or nearly 20 percent of migrants' pre-move level. In the case of females, migrants did not experience as large a percentage increase in wage rates as non-

migrants but did experience a substantially larger increase in annual hours of work. Their hours return to mobility was 376 hours a year or 29 percent of female migrants' pre-move level, well in excess of males.

The results for other labour market outcome measures were mixed. Male mobility led to an increase in average annual unemployment of 0.26 weeks or 7.7 percent of male migrants' pre-move level. It also led to an increase in the incidence of UI receipt of 7.2 percentage points and of social assistance receipt of 3.1 percentage points. Female mobility, on the other hand, led to a reduction in average unemployment of 1.97 weeks a year or 36.5 percent of female migrants' pre-move level, and it also led to a decrease in the incidence of social assistance receipt of 1.7 percentage points. However, it also resulted in an increase in the incidence of UI receipt of 11 percentage points.

Return Mobility

In 1990 over 7,000 people moved back to their 1988 province of residence, which was about 5.8 percent of the 120,000 who left in 1989. However, return mobility differed substantially across provinces. The proportion of returnees was much higher than the national average among migrants from Newfoundland, Prince Edward Island, New Brunswick, Saskatchewan, and British Columbia, and lower than the national average among migrants from Nova Scotia, Quebec, Ontario, Manitoba, and Alberta. There were also considerable differences in return mobility according to the reason for originally moving. Migrants who had been motivated by economic considerations generally returned to their home province in greater numbers than those who had migrated for family reasons. While 30 percent of returnees did not report any specific reason for moving back, about 42 percent returned for economic reasons and about 21 percent for family reasons.

Mobility and the Receipt of UI, Social Assistance, and Training

About 11.9 percent of the adult population received unemployment insurance benefits at some point during 1988. That proportion declined to 11.4 percent in 1989 and increased to 12.4 percent in 1990. As dictated by general economic conditions, UI receipt varied substantially across provinces – it was much higher in Atlantic Canada and Quebec and much lower in Ontario and western Canada.

The proportion receiving social assistance at some point during the year was 4.1 percent in 1988, 3.7 percent in 1989, and 4.1 percent in 1990. Social assistance recipience also varied significantly across the provinces. It was above the national average in Newfoundland, New Brunswick, and Quebec, and below it in the rest of the country. The proportion participating in various federal government sponsored, job-related training programs was 0.9 percent in 1988, 0.7 percent in 1989, and 0.8 percent in 1990. Training participation rates were higher in Atlantic Canada and Quebec and lower in Ontario and Western Canada.

Although varying across the provinces, the overall interprovincial labour mobility rate was generally higher among recipients of UI than non-recipients, lower among recipients of social assistance than among non-recipients, and higher among training participants than among nonparticipants.

Determinants of Mobility

The logit regression results suggest that interprovincial labour mobility decreased with the difficulty in finding employment in another province relative to the home province, increased with education, decreased with age, was lower among Francophones, decreased with family size, decreased with job tenure, and was lower among those who were union members or had wages covered by collective agreements. Although the overall

interprovincial labour mobility rate was higher among UI recipients than non-recipients and among trainees than non-trainees, after controlling for differentials in relative wages, hours, difficulty in finding a job, and personal and job-related characteristics, these labour market interventions were not statistically significant determinants of interprovincial labour mobility. The exception was the receipt of UI benefits for female mobility in 1990, which was positive and significant.

The empirical findings of this study have shown that interprovincial migration of workers is primarily determined by labour market forces and personal characteristics. Policy measures such as unemployment insurance, social assistance, and government sponsored training are not influential factors that drive this phenomenon.

Biographical notes

Zhengxi Lin completed the study while employed as an Evaluation Officer with Insurance Programs Directorate, Human Resources Development Canada. He received his Ph.D. degree in 1993 from Dalhousie University and has co-authored a number of publications in professional journals. He is currently working with Business and Labour Market Analysis Division of Statistics Canada.

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